

**DEPARTMENT OF TRANSPORTATION  
MARITIME ADMINISTRATION**

**Pre-Proposal Conference for Ship Managers  
Afternoon Session**

**July 8, 2004**

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[START TAPE 2 SIDE A]

J. BARILLE: ...we are going to add to your cost - to your proposal. You'll see that it's 262,500 dollars or 200 dollars to do fleet maintenance twice a year. You have another option. You can have the fleet preventive maintenance performed by your own people. Bring them into the fleet and do it. In which case, you have to cost it. Your third option is, you may decide for some RRF, ten ships, that are out-ported, that you're going to put some kind of a retention crew on. That's your option - to get the preventive maintenance done.

Okay. You will have to, in the business plan, accomplish all corrective repairs. And, certainly, if they're planned corrective repairs, we know it ahead of time, it's going to be in a C-5 status. You have to put that in your business plan. The business plan comes in three, well... the basic business plan

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comes in three parts. There is the

current year that we are executing. The following year which is what we call the budget year. So, in this case, it would be '05. And then your out years - five years worth of sort of planning in advance. You'll put your regulatories in there and anything else that you might come across that you know has to be done with in a five year cycle.

Okay? Anybody have any questions on maintenance plan?

Okay. The second goal is to support what we call RRF core operations. And this includes supporting logistics. And under logistics there's a great deal of accountable government property. And, there's obviously going to be an acceptance inventory. There's an annual inventory that gets done. And a determination inventory. There's one thing that I was asked to put in, probably out first amendment, that's not going to

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be a no brainer to you, but the logistics people want to have a logistics management point of contact, as they do now. That means, one person in your company that when logistics has to say, oh we're getting ready to come out and look at something, they get to call that person. The other things to remind you about when it comes to logistics is that TE-5, the technical exhibit five which is the logistics management manual and configuration change, is a living document. Again, we try to make things that we work out together before it goes into the living document. But there will be the occasional minor change to TE-5 or a new addition.

Okay. Again, a core operation is activation which leads into operations. We have three basic kinds of activations, and your phase change depends on which one you're in. For what we call a no notice or mission activation which was a YF-2, a

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YF-2-1/2, your phase change occurs the

minute you get the telephone message from,

usually, the region but sometimes

headquarters. For a notice activation

which is sort of a JLOTS [phonetic]

mission, you know ahead of time that on

the first of August, your going to have to

have the ship ready for MSC [phonetic] to

take over and you know it in June. So, it

actually changes phases from phase M to

phase O with what the ship's readiness

time frame is. So, if it's a five day

ship, it will change five days before.

For maintenance activation, the ship

manager stays in phase M. The crew,

however, will get FOS [phonetic] wages

when the first non-ROS crew member comes

on board.

Okay. Operation. I guess the key to remember here is that at all times, MARAD owns the vessel. We're responsible to the Department of Transportation for that vessel. We like to know what's

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happening on it. [laughs] Now, even

though the message directive may be, send this message to the Navy as the operational commander, please copy MARAD. It save you trouble. It saves us a lot of trouble. Our people stay in touch with you during operations even though the orders, the sail orders come from the Navy. What will be new in this contract is we are going to emphasize the use of second seaman's insurance and ask you to buy it for 365 days. The new world conditions, the new world security, we're just as much of a target sitting in Norfolk as we are sitting in Kuwait.

The things to point out on operations that I can't really put in a contract is public affairs loves photographs, particularly of working cargo ships, particularly of our working cargo ships. If you have photographs, if your crew members take them, they're really proud of their ship and what it was doing,

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and you'd like a little public

recognition, send it on. Send it either to our public affairs officer or to me and we use it on covers of reports to Congress. We use it in newspaper, local newspaper articles. We try to keep the operation section as flexible as possible. We do do crew vetting. It's done in connection with the Coast Guard in El Paso. It's kept as private as we possibly can. We understand all the safeguards that we need to have because of privacy act. It's worked out fine so far. I think it's less than one tenth of one percent that we've had to go aboard and suggest that they may want to talk to the local constabulary before they sail on the ship. Let's see, I think that's about all I've...

Anybody have any questions on operations? And we are working on secure communications. It's a very expensive task but we're working on it.

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Okay, ISM and interim SMC within

one year. This SMC is not the ship manager contract, it's the safety management certificate. This is another goal, to have no adverse impact on the environment and adherence to safety standards and sound safe practices. This includes not only ISM but also the environment and the security 24/7. You're responsible for security on the vessel 24/7 and if the vessel happens to be partially operating, like in ROS, that means you're going to have to have somebody on board who can take care of the machinery in a safe manner. When you respond to this, you need to be sure that you're telling MARAD what kind of qualifications that person has to meet to handle the equipment safely, how they're going to do it, what restrictions if any they have. This is, again, your responsibility, not the government's.

We're not going to tell you that they have

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to be restricted to the ship. That's up to you to decide.

Another goal is to adequately crew the ship with qualified marine personnel. Throughout this section as well as the rest of the RFP, we are stressing that it is your responsibility now to make determinations on, for example, what your port engineering services are going to be. We're not specifically saying, give me a port engineer. But you must provide port engineering services. If you tell me that the qualification for every port engineer that you hire or assistant port engineer is that the guy has a Ph.d in Marine Engineering, he's graduate of the Webb Institute, and he's got 20 years of ship repair service, then that's what we will expect every one of your port engineers to have. So when you tell me what your qualifications are, think. Can I meet this through the life of the contract? We

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will be expecting that there is some

continuity in service. You know, I don't

want to hear, well he's on vacation.

You're not giving me a he any longer.

You're giving me port engineering

services. So there should be a continuity

of it. It says it must be within 2 hours

response time to the lay berth or wherever

the ship is located. Someone said, is

that by car? It's two hours response

time. I don't care if he comes in in a

balloon or a car or swims. It's two hours

response time. Now, many people who are

currently ship managers actually have it

less than that. We like to have, and to

some extent, you all like to have it

yourselves and have said so, the person or

persons close enough to the ship to be

able to respond on a daily basis if

needed, but you also want privacy. You

don't necessarily want to have your

facility on the ship itself, although you

can always use a stateroom if you have to

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to, you know, temporarily put things down

for the day and then leave at the end of the day. But if you're interviewing a vendor, you want to have a little privacy because you're a private company. You don't necessarily always want the government looking over your shoulder.

What else can I say? Same thing with shore side staffing. Tell us the qualifications of the types of people who are going to be responding to job requirements. And, I guess lastly, and what we have seen in previous proposals, you know, think about what you corporately can do. Don't bait and switch. If you tell me you're going to give me gold then gold is what I'm going to look for.

Adequately crew the ship, again, with qualified marine personnel. This year, for the first time, employment disputes are yours. You have the authority to hire. You have the authority to fire. You have the authority to work

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things out with your collective bargaining

agreement is that's what you use.

Government would like to stay out of this.

Completely out of it. And that includes  
paying for a lawyer to defend in court.

So, if that's important to you, you know,  
look at your own hiring practices and  
figure out what's going to have to happen.

Training. There is no specific  
number of days. We used to say, 20 days  
allowed for training. Some people need  
more than 20. Some people need less. It  
depends on the crew you're hiring. We  
are, however, going to increase what we're  
willing to pay for. We will pay for STCW  
[phonetic] refresher courses for upgrades  
for licenses. Any course that will be  
newly established by the next convention  
of STCW. And any course that the MARAD  
COTAR [phonetic] feels is to the benefit  
of the ship. So, if you have someone, for  
example... Well, actually, this is to your  
cost. If you have an employee who has

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done poor performance and you don't really want to dismiss them, if you decide that they need additional training, we'll give you the time and we'll pay for their wages, but the cost of the course is yours.

ROS crews. As Iris said earlier this morning. There are a minimum of ten crew member per ship. That's one more than some people were used to having when they had ROS 5. It doesn't matter whether you're an ROS 4 or an ROS 5 you have a minimum of ten crew members per ship. And, by the way, TE-4 still has two ships that the Navy at TRANSCOM are calling ROS 4. We don't know why, but they're still that. Everything else has changed to ROS 5. The government requires and has identified that the Chief Mate, and Bosun, and Chief Engineer, and First Assistant Engineer will be part of those ten crew members. Six more are to be designated by you. They don't necessarily... Within a

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ship group, if you have a four ship group,  
four vessels all ROS, that's 40 people.  
They don't have to be mirror images of  
each other. If you want a Second Mate  
assigned to one ship but not to the other  
but he's still a crew member of those ten  
on this ship, you can do that. However,  
you can't have less than 40 crew members.  
It's ten per ship.

The other thing is, we don't  
expect anybody to try to lowball by coming  
in and saying I need six utilities on one  
vessel. Because when you go to FOS,  
you're not going to tell me that there's  
six billets for these six people and ROS  
to go up to. We will be looking at both  
your ROS crew composition, your  
explanation of your methodology to what  
those people are going to be doing during  
Phase M and how they transition to Phase  
O.

Okay? Questions? The realism of  
a ship manager proposed ROS crew for the

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performance of the PWS requirements will be considered as well as the efficiency of the crew from ROS to FOS. Demonstrate direct links between ROS crew work and transition to FOS. It comes in at least four questions that I can think of with slightly different emphasis on.

You are responsible for setting up the terms and conditions for your personnel. Last time, the government decided what the probationary period would be for an ROS crewmember. It's up to you whether you have one or not and if so, what it is. Convalescent pay. Last time, the government decided that, yes, we're going to have convalescent pay. If you, looking at your manning history, decide that you want to put in money to cover two periods of convalescent pay in a six month period, that's up to you. It's your business decision.

Subsistence and lodging. Again, it's up to you to decide how you want to

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handle it. If you want to use the ship, fine. If you don't want to use the ship, it's okay with us.

Smoking. This is one of my favorite questions when someone comes in and says, the ship is a government facility. You can't smoke in government facilities. It's also the crewmember's home. This time, you get to come up with the answer instead of me. Ship managers have the authority and now the accountability for the crews that they have.

Senior maintenance ROS crew chief engineer and first should not both be absent from the ship at the same time. For anybody who attended a seas manning conference about two months ago, you'll find an MSE [phonetic] is very hard and fast on this and so are we. We like to have crews phased in during turnover periods. And in ROS we never like to have the two senior most people absent at the



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same time from the vessel. Now, there are times when it will have to happen. But we should know about it ahead of time.

That's our partnership with you, that we'd like to know about it ahead of time.

Ungapped billets. Gapped billets, when a crew member permanently leaves the service of the vessel and the replacement is not on board. Just as in the last time, when you hand your invoices in for ROS crew, it will have to put a subtraction for whatever days that gapped billet occurred. And, our part of it is, if we want to put someone aboard while you are still out there trying to get a replacement crew member, that's our choice. And you get that through a task order.

Leave and temporary absence should be planned for and approved by you, not by the MARAD COTAR [phonetic]. You may give them courtesy information that, you know, it's out there and the person's

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not going to be there, but it's basically your responsibility to do leave. Crew members do earn it and they're entitled to it. But you have to figure out if it's going to interfere with whatever it is that you have scheduled that week. The billet still remains crewed. Even the person who's on leave. Also the billets remain crewed on the weekend even if they don't happen to be on board. Ship manager is responsible for the continuation of duties and responsibilities, no matter who's missing. Reconciliation will occur if a crew member is not sick or not using vacation leave. Again, MARAD has the option for replacement. We normally don't do it unless it's over fourteen days, just because it disrupts everybody's routine and it costs us money. And we would give it to you via a task order.

MALE VOICE: [inaudible]

J. BARILLE: Mm hm.

MALE VOICE: [inaudible] with the

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improved sick leave?

J. BARILLE: It'll, it's your choice.

MALE VOICE: No, it's not our [inaudible] be a liability for you.

J. BARILLE: Can you submit that as a question?

MALE VOICE: Yes.

J. BARILLE: Okay. But I think that we have said, as far as accepting a crew member's sick leave and vacation leave as a new incoming, that's up to you.

This is under operation. FOS crew officers formulated and presented in... Oh, the offer formulated and presented in the proposal, we elect to change. What you're going to do is tell us what the FOS crew complement is. And the last RFP, we gave you a crew complement. It was part of TE-4 and we said, this is your FOS manning. This time, you get to tell me what the FOS manning is. If, because of a particular mission, we have to come to you

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and say we want to add additional people

because of the mission, then we'll tell

you that ahead of time because we don't

know what, necessarily what a mission is

going to be until we actually get it.

What you should be basing your manning on

is basically what they call point to point

manning. Just sailing the ship over and

coming back. We occasionally have ones

where we know that we have to send them

out, like, to Diego Garcia. They're going

to be there for a long term. And we have

taken people off once they get over there,

like the radio officer MSC says you don't

need in Diego Garcia. For six months

we'll take the radio officer, fly them

back, and then when it's time to bring

them back, we put them on and bring them

back. But it's your choice of what the

FOS crew looks like.

Medical. You're still supposed

to give us medically qualified and

psychologically qualified personnel.

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There's stronger accountability on this in

this contract. There's more self assessment. The crewmember must actually sign a document and initial in several places saying, I don't have diabetes that isn't dependent on being with a doctor all the time. We've had some very, very serious things in OIF 1 because of people who, I guess to you, self certified that I'm just fine, but didn't actually go through that checklist real well. There probably is an increased probability of more inoculations in the future. These ships are going into very remote places in the world. We all know that the world scenario has changed. People use bioterrorism. We hope that you tell whoever is coming on board the ship that there is a high probability that you're going to be required to take more than just commercial shots for commercial sailing. You're probably going to need smallpox and anthrax occasionally. Navy

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has made a concerted effort not to keep

inoculations a secret. Now, they tell us that as soon as they know, they tell us what the risks are and like many of you saw in the smallpox, they keep a log of what vials of serum comes out of and they track individuals and they assumed responsibility for people who had heart problems afterwards.

MALE VOICE: One question. You mentioned, we will establish the manning based on point to point operation. Are you including the operation of the ship once it gets to its destination? Because there's a difference between just running the ship or operating [inaudible] ship [inaudible].

J. BARILLE: Right. I was going to use OPDS [phonetic] as the example. Currently I think we ask for 33 people on board to do point to point. And then you add six more to actually operate it. I would do the same thing. I would come in

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and say, here's my 33 for, or whatever

number you choose, for physically navigating the ship from one point to the other and here's my operational crew and who I think should make that up. It can all be on the same piece of paper or electronic file.

Okay. And the one that I enjoy the most, comply with government and company policies, procedures, and practices. In short, if you say you're going to do it, do it. Just as you hold us to, if we say we're going to do it in Section M, then we should do it. You get to develop your own company policies and procedures, so it shouldn't be a big surprise.

Again, RMS, what we know of it has been put into J-16. Jim wants to say a word.

J. CAPONITI: Slight change to the schedule here. We'll let Jean finish up. What we'd like to do is break at 11

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o'clock and from 11 to 11:15, we'll

receive questions so we can take a look at them. We'll return from lunch, if you'll come back by 1 o'clock, 11:15 and we'd like the government team to meet Mel, Atiba, Pam, Mike, Jan, Barb, government team to meet to see if we have any additional comments we want to put out there.

J. BARILLE: [inaudible]

J. CAPONITI: Yeah. If you could get your questions. We'll give you about 15 minutes. Get Jean to wrap up. Not completely done, but just until 11 o'clock. Thank you.

J. BARILLE: Okay, for RMS, we the government, will pay for the transition of any legacy systems. In other words, if we have Mark's [phonetic] data on a computer, we will get it to the other computer system.

Commercial procurement procedures have been rewritten. They are in J-2.

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Susan Barber [phonetic] and her team did a

magnificent job in rewriting J-2 to make it crystal clear what the government's procedures are for you to follow. And, of course, you give us a quality assurance plan and we give you a quality assurance surveillance plan which we've published in part in the VOA. This is another way of showing that part of the biggest thing that you'll be offering us in 2004 is more forethought and planning. If you say we did a one for one comparison between the plans that you're used to seeing, like activation plans, quality assurance plan, ship safety plan, versus what you're going to have to give us which is the preventive maintenance plan for Phase M, preventive maintenance for Phase O. An ISM [phonetic] safety plan becomes the vessel's safety plan. We will give you a ship security plan. I understand yesterday that they renamed it. It's now the International Ship and Ports Security

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Ship Security Plan. Boy if that isn't a mouthful.

I. COOPER: What's the acronym for that one?

J. BARILLE: [unintelligible].

[laughter]

J. BARILLE: It's all S's and a P at the tail end. But this emphasizes the fact that IMO is highly involved in this and it's now part of the international ship, port security act. So, they've renamed it. We'll get around to renaming it eventually. However, it's developed, it's approved by the Coast Guard already for your ship. The part you're going to have to fill in is the ship manager data, telephone numbers, people of contact, and etc. But it's an example of what I call a living document. And all these documents are living, whether you make the change because it's an annual change and you did a review and, oops, that's not how I do business anymore. Or whether we have to

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make the change because some regulatory agency decided within two months that they don't like that name and they're going to change it again.

Plans are developed by you. They are reviewed but not approved by the government. Basically, we accept your proposal, we accept your plans. Our people may have recommendations for you but they're not reviewing and accepting them. Ship manager performance is evaluated against the plan you provided. And one of the things that is most dear to my heart is the ability to manage and control costs. This is not any different except it may be a different electronic system that you're using. You must still have the ability to monitor the entire expenditure cycle. This is still public money. We don't like our nickels and dimes to disappear because pretty soon it's our dollars. We want you to have established procedures in place to ensure

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accurate and timely management of

expenditures and obligations. And we check that a lot. It's not a cursory inspection as anybody who is currently a ship manager will tell you.

[off-mic comments]

Well, as Jim reminds us, if you would like to take fifteen minutes and write questions out, either for me, for the team, or anything we haven't addressed and you want us to address, please do so. The food court is downstairs.

I. COOPER: Take them up to the front table. We will later read all the questions and address those answers that we can. [inaudible] and that will give us some time to sort through them. And then we'll reconvene at one o'clock.

[sound cut]

[END TAPE 2 SIDE A]